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NOTES AND MEMORANDA

STANDARDIZATION IN MARKETING

WHATEVER differences of opinion may exist with respect to other functions of government, little is said or to be said against coining money and fixing the standards of weights and measures. Tho these two functions are grouped together in the same clause of our federal constitution, it is doubtful if it is generally realized how close is the logical connection between them. Both result in great economy of effort in the transfer of goods. The economy involved in transferring coined money rather than uncoined metal is apparent. Coining the metal merely enables it to pass from hand to hand without the labor of inspection, that is, without weighing it to determine its quantity and without testing it to determine its quality. It "sells" — if we may speak of selling money — on grade and reputation rather than on inspection. It is the most salable of all commodities, and the fact that it is so standardized as to make inspection unnecessary on the part of the "buyer" has a great deal to do in giving it its superior salability. By the same process of standardization, any other commodity may approach gold coin in salability, tho it may not quite reach it. At least it is safe to say that whenever it can be sold entirely on grade and reputation, and absolutely without inspection, its salability will be enormously increased.

A short step is taken in the direction of standardizing other commodities when the state establishes uniform standards for determining quantity, that is, when it fixes the standard of weights and measures. Without some uniform system even our present methods of selling would be much more

clumsy and wasteful. Every buyer would have to have his own system for determining the quantity of his purchases. This falls short, however, in two important particulars, of what is accomplished when metal is coined in a modern mint. In the first place, the government actually coins the money or requires it to be coined according to its own rules; whereas in other cases it only defines the units of measurement and commands conformity to its definitions. In the second place, coins are standardized, not only as to quantity, but as to quality as well. There is no probability that any government will be called upon to do that which would be analogous to coining money — actually put up other commodities in standardized packages. Something is to be said in favor of fixing standards of quality as well as standards of quantity.

The reasons in favor of fixing standards of quality, wherever it can be done, are identical with those in favor of fixing standards of measuring quantity. They are all summed up in the superior economy of buying on grade and reputation as compared with buying on inspection. The buyer of an unstandardized commodity may have enough confidence in the sellers' system of weights and measures to avoid the necessity of weighing and measuring for himself; but he can scarcely avoid the necessity of inspecting the commodity in order to determine its quality. In some cases, the determination of its quality is easier than that of its quantity, but in other cases it is not. In all cases where quality can be standardized, there is economy of effort. So far as buyers can be saved the trouble of inspection, so far will they be enabled to economize the time and effort involved in making purchases, and so far, also, will the salability of commodities be increased. Whether this will reduce the cost of getting the standardized commodities from producers to consumers, or merely enable the consumers to use their time more advantageously to themselves, may be open to question; but the ultimate economic effects are much the same in either case.

Not the least among the advantages of a minute division of labor is the fact that each individual can avoid the neces-

sity of being expert in many things and therefore has time to become a specialist in one thing. One of the advantages of the standardization of commodities is that the average consumer can avoid the necessity of being an expert judge of the many articles which he has to purchase. He may therefore utilize his time and mental energy in his own special field of work. There is, to be sure, something attractive in the custom of the well-to-do burgher going to market and selecting with the eye of a connoisseur the various articles needed by his household; but it is wasteful of time and mental energy. When he or his housekeeper is able to order by telephone, without any inspection whatever, and still get what he wants, more time is left for other things.

This will help to explain two very distinct tendencies in present day retail marketing methods. The first is to put more and more articles up into standardized packages. The second is to place more and more dependence upon the retailer, who, in many cases, is coming to regard his customers as clients to whom he is bound to give his own expert service. Both tendencies are designed to save the consumer the trouble of becoming an expert buyer. Neither tendency has, as yet, reduced the cost of getting products from producer to consumer. If the consumer utilizes the time saved in earning a larger income with which to purchase goods, it perhaps does him as much good as it would if these tendencies merely reduced the price of commodities.

One reason why these tendencies merely save the time of the consumer rather than reduce the cost of getting the products to him is that the standardization takes place only in the last stage of the process, that is, just before the commodities reach the consumer. In order to reduce materially the spread between the price which the producer gets and that which the consumer pays, standardization must take place early in the process. This will enable the standardized article to go through the channels of trade at a lower cost. If it has to be inspected every time it changes hands, the process is expensive and some one must pay the cost. Some products apparently cannot be standardized, and there must

therefore always be a wide spread between the producers' and the consumers' prices.

A good illustration of the effect of standardizing a product early in the process of getting it from the producer to the consumer is found in the marketing of California oranges. They are graded and standardized as soon as they leave the orchards. All subsequent inspection is therefore unnecessary, and the cost of getting them to the consumer is reduced practically to the physical cost of haulage and handling. This has notably reduced the spread between the two prices. Many other commodities, such as wheat, cotton, pig iron and coal are largely sold on grade rather than on inspection. In these cases, the government has had very little to do with the standardization. Two recent acts of congress, however, have brought the government definitely into this field as the fixer of standards of quality. These are the Cotton Futures Act and the Grain Standards Act. Both give the Secretary of Agriculture power to establish grades and to enforce their use in the regular channels of trade. A number of states also have passed grading laws of various kinds. Four New England states have passed a uniform apple grading law, defining the contents of a standard barrel, describing the various grades of apples, and imposing penalties upon all departures from the standards prescribed.

Such legislative acts cannot be called in any true sense interferences with trade. They are designed to increase the freedom with which commodities may circulate. They are somewhat analogous to the work of the traffic policeman on a crowded corner. He may exercise authority and interfere occasionally with an individual's movements; nevertheless, the result of his so-called interference is greater freedom of traffic.

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